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CHAPTER 5

Coping with Fear of Failure in New Venture Teams: the Power of Passion and Prior Start-Up Experience

This chapter is based on de Mol, E. (2016). Coping with Fear of Failure in New Venture Teams: the Power of Passion and Prior Experience.

5.1 ABSTRACT

Existing research is inconclusive as to whether fear of failure stirs engagement in entrepreneurial tasks or withdrawal from it. We introduce the concept of new venture team fear of failure, and investigate how it affects new venture team effectiveness. We develop a mediation model in which team entrepreneurial passion functions as the motivational mechanism transmitting the effects of new venture team fear of failure to new venture team effectiveness. We further suggest that new venture team prior start-up experience serves as a coping mechanism moderating these relationships. Drawing on a data set of 83 new venture teams participating in an accelerator program, we find support for these hypothesized effects. We conclude this paper with a discussion of implications of these original findings for future theory and research on the emotional predictors of new venture team effectiveness.

Keywords: fear of failure, entrepreneurial passion, new venture teams

5.2 INTRODUCTION

Fear is an important construct as it is often characterized as a discrete negative emotion evoked by the “appraisal of potential or actual threats that causes changes in brain and organ function” which manifests itself in various behavioral responses, such as aggression, escaping, or freezing (Gray 1971; Lazarus 1991). Fear of failure should be specifically important in the entrepreneurial context as entrepreneurial emotions have a profound impact on entrepreneurial behavior (Baron 2008; Cardon, Foo, Shepherd, & Wiklund, 2012). Many events inherent to the entrepreneurial process stir feelings of uncertainty and fear among members of new venture teams (Patzelt & Shepherd, 2011), such as business planning, acquisition of financial and non-financial resources, managing and leading employees, creative problem solving, and quick decision making (Douglas & Shepherd, 2000). Therefore, as entrepreneurs, by default, encounter feelings of fear throughout their entrepreneurial career at some point, it is important that we untangle the relationship between fear of failure and entrepreneurial outcomes so that entrepreneurs can maximize their chances for venture survival.

Entrepreneurship scholars have largely identified fear of failure as a psychological barrier for entrepreneurial action (e.g., Arenius & Minniti 2005; Martins 2004; Shinnar, Giacomini, Janssen, 2012), with fear reducing exploitation (Welp, Spörle, Grichnik, Michl, & Audretsch, 2012) and founding tendencies (Lerner & Keltner, 2001). Yet more recently, scholars have started to question the adequacy of this view. Specifically, moving beyond the perception that failure is necessarily bad, recent work has also shown that failure can trigger beneficial outcomes (Cope & Cave, 2008; Ucbasaran et al., 2013), such as increased perceived learning (Yamakawa & Cardon, 2015). Research is particularly inconclusive as to whether fear stirs increased engagement in a task or withdrawal from it (Atkinson 1957; Elliot 1997; Elliot and Church 1997). Martin and Marsh (2003) commented on this issue by noting that through the diverse cognitive and behavioral mechanisms that it triggers fear “could be a friend as much as a foe by causing greater striving towards desired goals”.

Recognizing that fear of failure is specifically important in understanding entrepreneurial motivation (Cacciotti & Hayton, 2015), the view that fear potentially encourages greater striving is “worthy of examination” (Mitchell & Shepherd 2011). Yet so far, empirical evidence to this end is falling short (for a notable exception see Mitchell & Shepherd 2011). Our lack of understanding of how fear of failure affects entrepreneurial motivation is problematic, as motivation is considered a key driver of

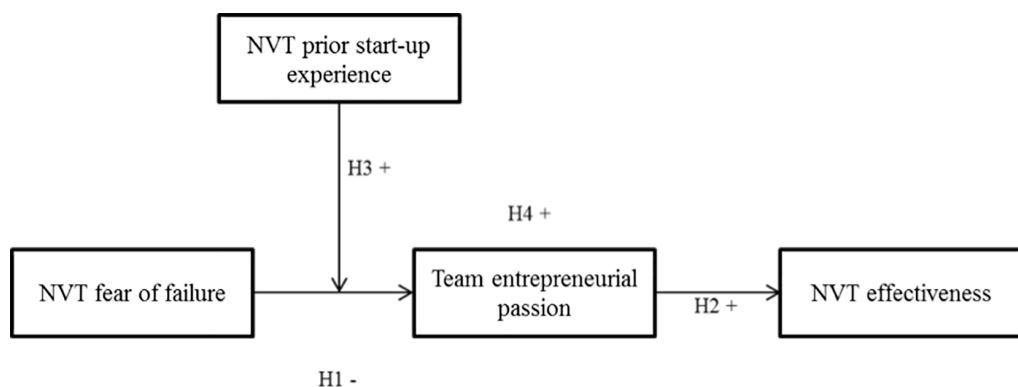
entrepreneurial action (McMullen & Shepherd, 2006). Specifically, we know fairly little about the effects of negative emotions on the experience of passion among entrepreneurs. As passion is related to beneficial affective and cognitive outcomes such as entrepreneurial persistence, satisfaction with the activity, and subjective well-being (e.g., Baron, 2008; Breugst et al., 2012; Cardon et al., 2009; Cardon & Kirk, 2015), the question of how fear of failure influences entrepreneurial passion is particularly pressing.

In this study we recognize that the majority of the new ventures is started and led by teams rather than by individuals (Cooper, Woo, & Dunkelberg, 1989; Kamm, Shuman, Seeger, & Nurick, 1990; Klotz, Hmieleski, Bradley, & Busenitz, 2014), and therefore focus our investigation on testing the effects of fear of failure among new venture teams (NVT). Specifically, we develop a theoretical framework that investigates how new venture team fear of failure influences team entrepreneurial passion and subsequent team effectiveness. We test our predictions on multisource data on 83 early stage ventures. To understand the mechanism underlying these relationships we draw on theories of affect-as-information (Clore, Gasper, & Garvin, 2001; Schwarz & Clore, 1983; Welp et al., 2011), and entrepreneurial passion (Cardon et al., 2009). We use affect-as-information theory to argue that new venture team fear of failure serves as an informative indicator of the team's situation, in which emotional information infiltrates a team members' thinking. Recognizing that fear is an avoidance-oriented emotion indicating a threat, according to affect-as-information theory fear of failures is expected to reduce motivational mechanisms resulting from a prevention focus (Brockner, Higgins, & Low, 2004). Furthermore, we theorize how new venture team prior start-up experience serves as an important coping mechanism, in that the negative relation between new venture team fear of failure and team entrepreneurial passion is less negative for teams with greater prior start-up experience. We draw on recent work on passion in entrepreneurial teams (Cardon et al., 2016) to argue that greater team entrepreneurial passion contributes to improved team-level processes, in our case new venture team effectiveness. Overall then, this paper puts forward a moderated mediation model integrating work on negative and positive entrepreneurial emotions in predicting venture outcomes.

In doing so this study seeks to contribute to the literature in several ways. First, by conceptualizing fear of failure at the team-level, we contribute to the literature on negative entrepreneurial emotions (Foo, 2011; Foo et al., 2011; Patzelt & Shepherd, 2011), which has exclusively focused on investigating individual-level fear of failure.

Moreover, while existing work has predominantly investigated the effects of fear of failure on the pre-founding outcomes (e.g., Shinnar et al., 2012; Autio & Pathak, 2012), and entrepreneurial intentions (Klaukien & Patzelt, 2009), we make an important empirical contribution by testing the consequences of fear of failure among post-founding ventures. Second, by investigating how new venture team fear of failure influences team entrepreneurial passion, this study adds to the limited work that examines what drives entrepreneurial passion (Gielnik et al., 2015). While the majority of the work on entrepreneurial passion has examined its consequences, instead, we complement theory on passion by empirically demonstrating that negative emotions reduce these positive work related feelings. At the same time, by extending theory of entrepreneurial passion to the team-level, we make an important empirical contribution by being among the first to test the function of passion in new venture teams. Finally, this study contributes to the literature on prior start-up experience by investigating when new venture team fear of failure reduces team entrepreneurial passion. By showing that new venture team prior start-up experience serves as an important moderating mechanism counteracting feelings of fear, we add to recent work addressing the interaction between fear of failure and prior experiences.

Figure 5.1 | Theoretical model



5.3 THEORY AND HYPOTHESES

We define NVT *fear of failure* as the aggregate levels of individual new team member fear of failure. In order to understand NVT fear of failure, its emergence, and its consequences, we first explain the underlying components of individual fear of failure, the cognitive and motivational mechanisms that it triggers, and consequently its functioning at the team-level of analysis.

Understanding NVT fear of failure

Fear of failure is conceptualized as “a feeling that leaves a person discouraged and afraid that he or she will not succeed even before making an attempt” (Ekore & Okekeocha, 2012: 516), or the “appraisal of potential or actual threats that causes changes in brain and organ function, and that can be manifested in different behavioral responses”, such as aggression, escaping, or freezing (Gray 1971; Lazarus 1991). Building on appraisal theories of emotions (e.g., Ellsworth 1991; Lazarus 1991; Lazarus & Smith 1988; Learner & Keltner 2001; Smith & Ellsworth 1985), fear of failure is viewed as a temporary emotional state, in which the fear of failure is a negative emotion resulting from the anticipation of the possibility of failure (Li, 2011; Patzelt & Shepherd, 2011; Welpe et al., 2012). The temporary experience of fear of failure is central to its definition, as it implies that it is a passing state that emerges and subsides in response to changing environmental cues (Lazarus, 1991). We further view fear of failure as an event-based experience (Dimov, 2007), wherein events refer to “important happenings” that occur in a specific time and place, and that imply a “change in what one is currently experiencing” (Weiss & Cropanzano 1996: 31). In the entrepreneurial context this means that the experience of fear of failure results from the appraisal of “entrepreneurial events” that might threaten the entrepreneurs’ sense of self and his or her esteem in the eyes of others (Birney, Burdick, & Teevan, 1969). Accordingly, we seek to understand the consequence of fear of failure not solely from the standpoint of the entrepreneur. Instead, the relationship between the entrepreneur and the environment is fundamental to understanding how fear influences entrepreneurial outcomes. We specifically focus our investigation of fear of failure with respect to one entrepreneurial event, the development of a business plan. The business plan captures the business planning, availability of financial resources, and future strategy of the new firm, and is therefore considered of crucial value new ventures.

NVT fear of failure is a shared team-level construct, in which variation among

team members is not important, the aggregate measure is simply the sum or average of individual member levels on the key construct (Chan, 1998). Accordingly, team fear of failure emerges along the lines of a compositional model. That is, the group-level manifestation of NVT fear of failure is assumed to be identical to its individual-level counterparts in terms of its meaning and the way it affects outcomes (Kozlowski & Klein, 2000). We follow Klotz and colleagues and define the new venture team as “the group of individuals that is chiefly responsible for the strategic decision-making and on-going operations of a new venture” (Klotz et al., 2014: 288). By default, this definition excludes other individuals that contribute to the strategic development of the firm but whom are not involved with implementing activities of the firm, such as mentors, advisors and formal and informal investors. Scholars have studied several NVT inputs, such as demographics, human capital and social capital factors (Klotz et al., 2014), that potentially affect NVT outcomes, such as NVT team effectiveness and viability (Chowdhury, 2005; Foo, Sin, & Yiong, 2006)

We use Cardon and colleagues’ (2009) conceptualization and refer to entrepreneurial passion as “a consciously accessible, intense positive feeling experienced through engagement in entrepreneurial activities associated with roles that are meaningful and salient to the self-identity of the entrepreneur” (Cardon et al., 2009). These intense positive emotions pertaining to entrepreneurial passion have a motivational function to engage in entrepreneurial activities (Gielnik et al., 2015: 1). Team entrepreneurial passion captures the aggregate levels of individual entrepreneurial passion in the new venture team.

The relationship between NVT fear of failure and NVT effectiveness

Previous work suggests that whether entrepreneurial action occurs is dependent upon “how much one must rely on one’s own judgment, which in turn, depends on the degree of uncertainty experienced in the decision of whether to act” (McMullen & Shepherd, 2006: 134). Extending this notion to our context, we specifically expect new venture team fear of failure to negatively impact new venture team effectiveness. First, under conditions of fear, team members are less capable of outlining the steps needed to reach an efficient outcome. This is problematic, as especially the early venture context requires team members to communicate openly about their uncertainties. Previous work on uncertainty and negative affect in teams confirm our expectations. For example, Gardner and colleagues demonstrate that under conditions of uncertainty, team members fail to communicate openly, resulting in reduced knowledge integration and impeding team

performance (Gardner, Gino & Staats, 2012). Moreover, while there is just limited evidence on the effects of negative shared affective constructs on team behaviour, negative affect generally seems to hinder group member attitudes, cognitions, and performance (Barsade & Knight, 2015). Group affect influences how team members approach time management when facing a deadline, and findings confirm that negative mood sustains team member's exploratory efforts even as their deadline drew near, hindering team performance (Knight, 2015). Teams harmed by negative affect stick to the facts, favor conservative behavior, and are "unlikely to take risk in a situation that is already considered problematic" (Schwarz, 1990: 544). This conservative behavior is particularly problematic in the entrepreneurial context, in which teams ought to be explorative and engaging in creative decision-making.

Overall then, while new venture team members should work in a transparent manner and communicate effectively to keep up with rapid strategic change and flexibility associated with successful ventures, we expect team members experiencing high levels of fear of failure to shy away from interacting with each other so that they feel less exposed to harmful actions of their fellow teammates. Under this logic we reason that:

Hypothesis 1: NVT fear of failure negatively relates to NVT effectiveness.

The mediating role of team entrepreneurial passion

We further theorize that team entrepreneurial passion serves as a motivational mechanism that links NVT fear of failure to NVT effectiveness. While early theoretical work has proposed that fear can motivate increased engagement in a task as well as withdrawal from it (Atkinson 1957; Elliot 1997; Elliot & Church 1997), and a scholarly interest has shifted to how entrepreneurs can learn from failure (Yamakawa & Cardon, 2015: 797), so far, we are unaware of empirical work that confirms a positive relationship between fear of failure and entrepreneurial motivation among entrepreneurs that have already started a business. Instead, the affect-as-information perspective (Clore, Gasper, & Garvin, 2001; Schwarz & Clore, 1983; Welp et al., 2011), leads us to argue that NVT fear of failure reduces new venture team motivation. The affect-as-information model views "one's affective state as a highly salient indicator of the nature of the situation one is in" (Schwarz, 1990: 543), with compelling information about the personal value assigned to the object (cf. Schwarz, 1990, 2001). This notion is in line with recent theoretical work that demonstrates that, rather than affecting behavior, the experience

of passion can also be a consequence rather than antecedent of behavior (Gielnik et al. 2015). Specifically, findings reveal that entrepreneurial effort, the intensity of work on entrepreneurial tasks (Foo et al., 2009) influences changes in entrepreneurial passion. Drawing on theory of emotions as feedback systems (Baumeister, Vohs, DeWall, & Zhang, 2007), the authors demonstrate that emotions provide feedback about the adequacy of behavior (Baumeister et al., 2007). That is, behavior results in outcomes and subsequent *appraisal processes* of the outcomes lead to emotional experiences (Gielnik et al., 2015: 6).

With regard to our study, that means that NVT fear of failure serves as an informative indicator of the team's situation, in which emotional information infiltrates a team members' thinking. The direction of the effect of NVT fear of failure depends on the tendency of the emotion (Welp et al., 2011). Considering that previous research strongly suggests fear to be an avoidance-oriented emotion indicating a threat (Gray, 1987: 27; Lazarus, Kanner, & Folkman, 1980), we argue that the experience of fear reduces team entrepreneurial passion. Scholars refer to this reduced motivational mechanism as the prevention focus (Brockner, Higgins, & Low, 2004).

Hence, we argue that when events are appraised as being harmful, an emotional process is activated that prepares new venture teams to respond with particular behavior, such as reduced passion to accomplish the task.

Hypothesis 2: Team entrepreneurial passion mediates the relation between NVT fear of failure and NVT effectiveness.

The moderating role of nvt prior start-up experience

While we predict that NVT fear of failure reduces team entrepreneurial passion, we also argue that to fully understand the effects of NVT fear of failure on team entrepreneurial passion, we need to consider NVT prior start-up experience and its effects on team entrepreneurial passion. Considering that serial entrepreneurs, "those with experience founding more than one venture" (MacMillen, 1986; Westhead & Wright, 1998), are a common phenomenon, the impact of prior start-up experience on new venture outcomes has received ample attention in the broader entrepreneurship literature (Klotz et al., 2014). These serial entrepreneurs can be distinguished from inexperienced entrepreneurs in several manners (Westhead, Ucbasaran, & Wright, 2005), and findings show that prior start-up experience affects the performance of their subsequent ventures in several

ways (Eesley & Roberts, 2012). For example, entrepreneurs with experience have gained more skills and have developed larger social networks, making them more connected compared to inexperienced entrepreneurs. Most importantly, scholars have repeatedly shown that serial entrepreneurs are in the position to learn from their prior venture experience (Eggers & Song, 2014). Drawing on the perspective that entrepreneurs can learn from their prior experiences, we expect experienced NVT's to be able to identify their negative emotions as temporary and surmountable, leading them to develop coping mechanisms that mitigate fear of failure. First, compared to inexperienced NVT's, over the course of their prior experience, experienced NVT's are more likely to have built a support system that they can turn to (Amaral, Baptista, & Lima, 2011). Resulting from these support systems, experienced new venture teams have access to critical financial resources that can put their fearful situation at ease. Similarly, we expect experienced new venture teams to be more aware of the importance of seeking mentorship in times of fear and uncertainty (Vissa & Chacar, 2009). Intuitively, when people suffer from negativity, they tend to isolate themselves, behavior that in reality reduces team functioning and eventual team effectiveness. Yet experienced NVT's are more likely to identify the need for cooperation to cope with their feelings of fear, leading them to seek out for advice when it is most needed.

Overall then, we expect experienced NVT's to be capable of putting their own uncertainty in perspective, rather than to let their fear obstruct their entrepreneurial action. In other words, we argue that NVT's with more prior start-up experience are better capable of coping with the negative emotions deriving from fear of failure, hereby weakening the negative association between NVT fear of failure and team entrepreneurial passion.

Hypothesis 3: NVT prior start-up experience moderates the relation between NVT fear of failure and team entrepreneurial passion: The negative relation between NVT fear of failure is less strong under high NVT prior start-up experience than under low NVT start-up experience.

Moderated mediation model

Figure 1 depicts our full theoretical model. Hypothesis 1 predicts that NVT fear of failure is negatively associated with NVT effectiveness, and hypothesis 2 predicts that team entrepreneurial passion mediates the relation between NVT fear of failure

and NVT effectiveness. Hypothesis 3 predicts that NVT prior start-up experience moderates the relationship between NVT fear of failure and team entrepreneurial passion. Together, these three hypotheses specify a moderated mediation model (Edwards & Lambert, 2007) in which interaction between NVT fear of failure and NVT prior start-up experience indirectly influence NVT effectiveness by contributing to the teams' experience of entrepreneurial passion.

Hypothesis 4: NVT prior start-up experience moderates the mediating effects of team entrepreneurial passion on NVT effectiveness.

5.4 METHODS

We collected our data among new venture teams that were participating in an accelerator program, that for the purpose of this study we call “Venture Forward” in the Netherlands. The goal of the accelerator program is to provide support to entrepreneurs during the early stages of venture development, through mentorship, training, and legal assistance. Upon admission, entrepreneurs are required to upload a business plan that is reviewed by an expert jury. Venture Forward is designed around a cohort-based formula with the duration of 10 months. Collecting our new venture team data at Venture Forward provided us with several advantages. First, since Venture Forward retains a strong policy only to expect ventures operating in the high-technology center, we have a relatively homogenous sample comprised of same industry ventures. Second, new venture teams are only allowed to participate if they have worked less than two years on the business plan with which they applied for Venture Forward. This requirement diminishes the risk that outliers in venture age mitigated our results. Venture Forward also required stable team composition during time of participation, ruling out the possibility that changes in team membership would bias our results.

We collected information about new venture team fear of failure, team entrepreneurial passion, and prior experience through surveying all participating entrepreneurs. We aimed to minimize the risks of same-source bias by obtaining our team effectiveness data from external observers that were not involved in the daily operations of the venture. We only included new venture team members whom indicated that they were formally part of the team at time of participating in Venture Forward. The manager of Venture Forward, distributed an online survey to all team members that met our criteria before the start of the program, and followed up with several weekly reminders. On

average teams responded within three weeks after receiving the survey. The response rate of the survey was 40 percent, resulting in 485 individual responses across 186 teams. Incomplete teams were excluded from our analysis, resulting in 190 individuals residing in 83 teams. Analysis showed that 65 percent of the respondents were male, the average age was 34, and the average years of working experience was 7.

Measures

Team entrepreneurial passion. To measure entrepreneurial passion we used the 13 items as developed by Cardon and colleagues (2013). The entrepreneurial passion scale distinguishes three entrepreneurial roles, founding, inventing, and developing. Example items are “It is exciting to figure out new ways to solve unmet market needs that can be commercialized”, “Establishing a new company excites me”, and “Assembling the right people to work for my business is exciting”. Team members provided their answers to the 13 items on a 5-point Likert scale ranging from “strongly disagree” to “strongly agree”. To calculate single passions scores at the team-level we the averaged team member scores into one team passion composite ($\alpha = 0.872$).

NVT effectiveness. The extent to which a NVT’s output meets or exceeds its key stakeholders’ standards is a core indicator of team effectiveness (Hackman & Walton, 1986). We used assessments from an external committee consisting out of 41 formal and informal investors, and experienced entrepreneurs. The evaluation of the new venture teams was randomly assigned among the committee members, with some members evaluating 1 and others evaluating 2 teams. We carried out a test of ICC to estimate the reliability of a single judge and the Levene’s test for equality of error variances. The results showed that an absence of different effects between subjects and thus we can be confident that judges evaluated the teams in an equal manner ($F = 5.024$, $p < 0.00$). Committee members rated team effectiveness by evaluating how well the team reflected upon its own composition, knowledge and skills, and potentially additional team members. Example items include, “Has the team has effectively thought about the structure of the team and composition”, “Are the various entrepreneurial roles among team members are well described”, and “Has the team assesses why and who should potentially join the team to complement missing knowledge and skills.”

NVT fear of failure. We measure NVT fear of failure using items directed towards the fear and uncertainty associated with the event of developing a business plan. We focused on this measurement of fear of failure, as other items measuring fear in the entrepreneurial context appeared unsuitable for our investigation. As Cacciotti and

colleagues concluded in a review of the literature on entrepreneurial fear of failure, a new measure of the construct is needed that reflects a more complete conceptualization of fear of failure than the existing ones (2015: 19). Taking into account our conceptualization as fear of failure directed towards a specific event, we measured task uncertainty directed towards the specific task of developing a business plan. In doing so, we followed Van de Ven and Delbecq (1974) and we used three items to measure task uncertainty that were reverse coded. Example items include “There is a clearly defined body of knowledge or information that I can use to guide the development of our business”, “I understand the sequences of steps that I can follow to successfully develop my business”, and “It is clear to me what the outcome of this venture process will look like”. Responses were averaged to create a single score of NVT fear of failure per team ($\alpha = 0.75$).

NVT prior start-up experience. Prior start-up experience was measured with one single item (1 = I have no prior start-up experience”, “2 = I do have prior start-up experience”). In using this approach we capture the quantitative aspects of team members’ prior start-up experience. The team member experience item was averaged to create a composite for each team.

Control variables. Recognizing that the number of team members potentially influences the creation of team level constructs we also controlled for team size. Team size varied from 2 to 5, with an average of 2.3 team members per team. Next, acknowledging that the time previously spent on developing the venture influences performance, we controlled for venture age and asked team members to rate how long they have been actively involved in their venture on a five point scale (“1 = 0-2 months”, “2 = 2 to 6 months”, “3 = 7 to 12 months”, “4 = 1 to 2 years”, “5 = more than 2 years”). To create a team-level measure of venture age we averaged responses across team members.

5.5 RESULTS

Ordinary least squares (OLS) regression analysis was used to test our hypotheses. The results presented in Table 1 show means, standard deviations, and correlations for all team-variables.

An inspection of the correlations reveals that NVT fear of failure is negatively related to team entrepreneurial passion ($r = -0.51, p < .01$) and NVT effectiveness ($r = -0.30, p < .01$). In turn, team entrepreneurial passion is positively associated with NVT effectiveness ($r = 0.33, p < .01$). Results further reveal that venture age significantly correlated with NVT fear of failure ($r = 0.31, p < .01$). Next, we start by examining

Table 5.1 | Summary statistics and correlations

	Mean	s.d.	Min.	Max.	1	2	3	4	5
1. Team entrepreneurial passion	3.99	.45	2.62	4.94					
2. NVT effectiveness	3.50	.93	1.00	5.00	.33**				
3. Venture age	2.68	1.08	1.00	5.00	.07	.20			
4. NVT size	2.29	.63	2.00	5.00	-.13	.04	.01		
5. NVT fear of failure	2.17	.56	1.00	3.6	-.51**	-.30**	-.31**	.87**	
6. NVT prior start-up experience	1.56	.39	1.00	2.00	-.08	-.10	-.14	.04	.12

^a*n* = 83

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

the first-stage relationships: the direct relationship between NVT fear of failure and NVT effectiveness. Column 3 of Table 2 includes the NVT fear of failure, and control variables. As predicted by Hypothesis 1, we find that NVT fear of failure is negatively associated with NVT effectiveness ($\beta = -.44, p < .01$). As our mediation Hypothesis implies that NVT fear of failure is related to team entrepreneurial passion, the next step involved regressing the team entrepreneurial passion variable on NVT fear of failure. The results in Column 1 in Table 2 confirm that NVT fear of failure has a significant, negative relationship with team entrepreneurial passion ($\beta = -.50, p < .00$). Hypothesis 2 predicts that team entrepreneurial passion mediates the relationship between NVT fear of failure and NVT effectiveness. Column 4 of Table 2 confirms that this hypothesis is supported, as the coefficient for team passion is positive and significant ($\beta = .20, p < 0.05$). In column 2 of Table 2, we add the interaction term to the model in order to test Hypothesis 3, our moderation hypothesis. In keeping with Hypothesis 3, the coefficient for the interaction of NVT fear of failure and NVT prior start-up experience is positive and significant ($\beta = .23, p < .05$). Using the approach of Preacher, Curran, and Bauer (2006) to examine and plot the interaction effect (see column 1 in Table 3 and Figure 3), we found that NVT fear of failure is related to more team entrepreneurial passion when NVT prior start-up experience was at high ($p = .02$) values, but not at average or low values ($p > .05$ in both cases). Our overall theoretical model (Figure 1) reflects moderated mediation, as the relationship of NVT fear of failure with the

mediator, is moderated by team experience, and the mediator is directly related to NVT effectiveness. To test for moderated mediation we follow the approach of Preacher, Rucker, and Hayes (2007) and use a bootstrap technique to test the magnitude of the indirect relationship at high and low values of the moderator. If the magnitude of the indirect relationship is significantly different from zero, then mediation has occurred. The results for the indirect effects, reported in Table 4, support the moderated mediation hypothesis for NVT fear of failure. Together, these results support Hypothesis 4 and indicate that team entrepreneurial passion mediates the moderating relationship of NVT prior startup experience on NVT fear of failure.

Table 5.2 | Regression results for NVT fear of failure and NVT effectiveness

Variables	Team entrepreneurial passion			
	Model 1	Model 2	Model 3	Model 4
Venture age	-.10 (.09)	-.08 (.09)	.09 (.08)	.10 (.07)
NVT size	-.14 (.16)	-.17 (.16)	.09 (.13)	.11 (.13)
NVT fear of failure	-.50*** (.09)	-.56*** (.09)	-.19** (.07)	-.08 (.08)
NVT prior start-up experience	-.04 (.14)	.02 (.13)		
NVT fear of failure x NVT prior start-up experience		.23** (.09)		
Team entrepreneurial passion				.20** (.09)
Constant	-.25	-.30** (.13)	-0.14 (0.11)	.03 (.11)
R^2	.28	.33	0.10	.16
Adjusted R^2		0.28	0.07	0.09
Delta R^2		0.05**		0.02**

^a Models are ordinary least squares regressions, $n = 83$.

^b Variables have been centered

< .10

** $p < .05$

*** $p < .01$

Table 5.3 | Interpreting the NVT prior start-up experience interaction coefficients

Test	NVT fear of failure x NVT prior start- up experience
95% region of significance	
Lower bound	1.27
Upper bound	11.94
Percentage of projects	
Below the lower bound	26.2%
Between the bounds	77.8%
Above the upper bound	0%
Simple slopes	
Low NVT prior start-up experience	Significant, $p = 0.02$
Average NVT prior start-up experience	n.s, $p > .05$
High NVT prior start-up experience	n.s, $p > .05$

^a The above values were calculated using the Johnson-Neyman technique, following the approach of Preacher and colleagues (2006). These results imply that the coefficient in each column is significant and negative when team experience is less than the lower bound, not statistically significant when team experiences has values between the lower and upper bound, and significant and positive when team experience has a value greater than the upper bound.

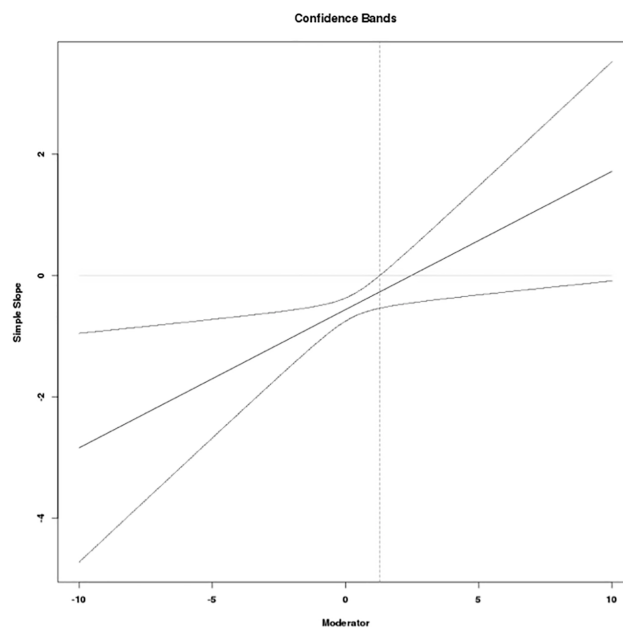
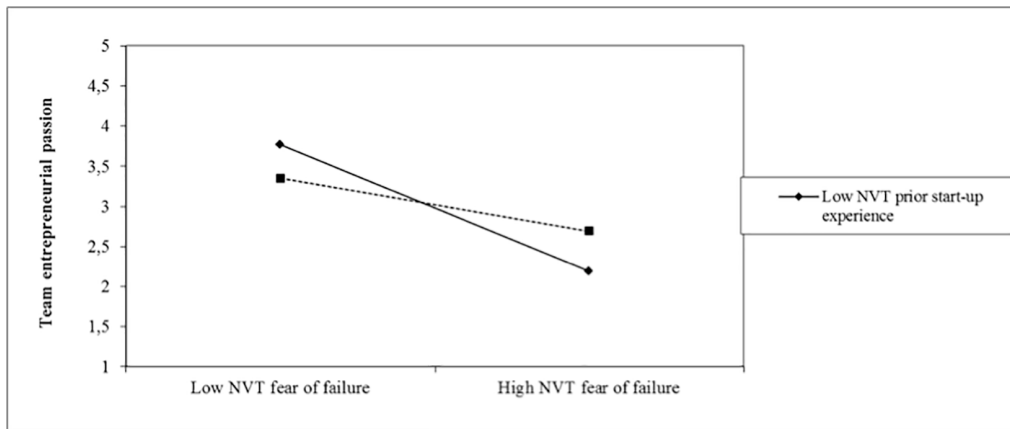
Table 5.4 | Test of moderated mediation

	NVT prior start-up experience	Effect	SE
Team entrepreneurial passion	Low	-.15**	.08
	Average	-.11**	.05
	High	-.06**	.03

^a Variables are centered.

^b The above values were calculated following the approach of Preacher and colleagues (2007) and used a bootstrap technique to test the magnitude of each moderator (plus and minus one standard deviation, respectively). If the magnitude of the indirect relationship differs significantly from zero, then mediation has occurred.

Figure 5.2 | Plot of effects & regions of significance of NVT Prior start-up experience



5.6 DISCUSSION AND CONCLUSIONS

Using multisource and multi-wave data on 83 early stage new venture teams operating in the high technology sector, we find that NVT fear of failure reduces team entrepreneurial passion and subsequent NVT effectiveness. We also find that NVT prior start-up experience plays an important moderating role in these relationships. Under conditions of high NVT prior start-up experience, the negative effects of NVT fear of failure are less strong. In contrast, high NVT fear of failure is related to lower team entrepreneurial passion under conditions of low or average NVT prior start-up experience. With study we make several contributions to the literatures on entrepreneurial emotions, new ventures, and teams.

Contributions to the entrepreneurial emotions and new venture team

Our study contributes to the literature on entrepreneurial emotions (Baron, 2008; Cardon et al., 2009) in several ways. First, our study highlights the importance of studying negative emotions in new venture team context. Specifically, we demonstrate that fear of failure adds to our understanding of new venture team effectiveness. That is, we show that NVT fear of failure has an independent effect on NVT effectiveness. Over the past years, scholarly work on fear of failure and the individual-level has improved our understanding of the impact of negative emotions in the entrepreneurial context (Cacciotti & Hayton, 2015). We extend these works by conceptualizing the underlying components of fear of failure at the team-level and by empirically testing how it associates with new venture team outcomes. In doing so, we also complement existing work that has exclusively examined how fear of failure impacts pre-start-up outcomes, such as the decision to start a venture, and opportunity recognition and discovery (e.g., Foo, 2011; Patzelt & Shepherd, 2011; Welp et al., 2014). Moreover, we solve the conflicting theoretical debate about the potential positive effects of fear of failure on motivation (Martin & Marsh, 2003), by conceptualizing and testing a model that confirms the negative effect of fear of failure on motivational mechanisms of new venture teams.

Our study adds to the growing literature on entrepreneurial passion in two ways. First, our finding that NVT fear of failure predicts team entrepreneurial passion compliments the dominant perspective in the passion literature. That is, the scholarly focus has mainly been on entrepreneurial passion as a driver of behavior (Baum & Locke, 2004; Cardon et al., 2009). To the exclusion of a recent study of Gielnik and

colleagues (2015), who showed that the opposite is also true and that there is a causal effect from entrepreneurial effort to entrepreneurial passion (2015: 27). We add to this line of reasoning by demonstrating that team entrepreneurial passion is the mediating mechanism transmitting NVT fear of failure to NVT effectiveness. Specifically, we propose that, due to the negative motivational mechanisms that it triggers, NVT fear of failure counteracts the development of team entrepreneurial passion. Previous work on fear revealed that when external circumstances are appraised as being harmful to personal goal attainment, an emotional process is activated that prepares people to respond with particular behavior, such as reduced motivation to accomplish the task. Drawing on the team entrepreneurial passion literature, we are able to explain the mechanism through which this process occurs. Second, we extend recent theoretical work on team entrepreneurial passion (Cardon et al., 2016). While Cardon and colleagues theorized how team entrepreneurial passion influences the emergence of new venture teams, we add to this work by developing and empirically testing a model on the effects of team entrepreneurial passion on team behavior.

We add to the new venture team literature by linking new venture team inputs to new venture team outcomes in an innovative way. Previous research has mainly studied demographic and human capital inputs (Klotz et al., 2014; Cardon et al., 2016), rather than affective inputs, such as NVT fear of failure. We contribute to this stream of literature by investigating the effects of a different type of input, NVT fear of failure, on NVT effectiveness. Moreover, we suggest additional pathways through which new venture teams experience higher or lower levels of team entrepreneurial passion, and show that NVT prior start-up experience enables teams to better cope with their fear of failure. In doing so we reconfirm the notion that NVT members learn from their previous experiences, hereby adding to the body of work on entrepreneurial prior experiences. Existing works have mainly focused on the direct effects of prior experience, our results suggest that NVT prior start-up experience fulfills an important moderating role in explain *when* NVT fear of failure leads to reduced team entrepreneurial passion.

Contributions to the literature on team emotions, affect and motivation

We also make several contributions to the broader literature on affect and emotions in teams. First, we are the first to conceptualize fear of failure as a shared group-based emotion, hereby responding to a recent call of Menges and Kilduff (2015) for more fine-grained models on group emotions. By demonstrating that NVT fear of failure has a significant negative direct effect on team effectiveness, we highlight the importance of

integrating negative affect in the study of teams. Considering that the majority of team affect and emotions studies focus on collective positive moods, affect, and emotions, there is relatively limited evidence of the influence of negative collective affective constructs on group attitudes, cognitions, and behavior in teams (Barsade & Knight, 2015: 32). Second, by demonstrating that NVT fear of failure reduces team entrepreneurial passion we add to the work investigating group motivation (e.g., Gully, Incalcaterra, Joshi, & Beaubien, 2002). Traditionally, this stream of literature has investigated how motivation leads to team performance outcomes, such as efficacy, potency, and performance (Gully et al., 2002). By conceptualizing NVT fear of failure as a driver of team entrepreneurial passion, we complement the work on the antecedents of group motivation (Kirkman & Rosen, 1999).

Study limitations and future research directions

Notwithstanding these contributions, several limitations of this study should be noted. Our study concentrated on new venture teams in the earliest stage of venture development. Accordingly, our results do not allow us to make any conclusions regarding the impact of fear of failure on NVT effectiveness over the long run. Hence future research should provide an even more rigorous test of the effects of NVT fear of failure among more mature ventures. A second limitation concerns the internal validity of our study. As we used the same new venture team members to evaluate team entrepreneurial passion and the independent variables, NVT fear of failure and NVT prior start-up experience, our study is subject to a possible same-source bias. Despite this limitation we were able to use an external evaluator for our dependent variable (NVT effectiveness), and the pattern of effects found in our study is in line with the proposed relationships. Moreover, our model does not account for within-team dispersion of our team level concepts. That is, we treat our team-level variables as shared group constructs, disregarding the possibility that the difference in the experience of these emotions among team members might affect NVT effectiveness. While for the purpose of our study we were interested in the average levels of individual fear of failure, it will be critical for future research to integrate within-team dispersion in the conceptualization of NVT fear of failure to future advance the theoretical development of the concept. Additionally, in our study we focused on fear of failure directed towards a specific entrepreneurial event, the development of a business plan. While this type of task uncertainty is proposed to influence team knowledge integration and subsequent team performance significantly (Gardner et al., 2012), we limit ourselves to this particular form of event-based fear of

failure. Future research should empirically explore the effects of other forms of event-based fear of failure on new venture outcomes to examine its functioning across a broader entrepreneurial context.

Lastly, our data does not provide us with any insights as to what type of prior start-up experience entrepreneurs have had. That is, we are unaware if some NVT's experienced entrepreneurial failure in the past. Considering that a previous success or failure experience can potentially influence the entrepreneur's current experience of fear, we urge future research to investigate the types of previous experiences that can enhance or mitigate fear of failure.